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## New Zealand

## Kiwifruit

## Annual

## 2001

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**Report Highlights:** New Zealand's export kiwifruit production in 2001 is forecast to be down 8 percent from 2000's crop of 228,312 MT to total 210,000 MT. The decline in production is due to continued grafting of ZESPRI GREEN vines to ZESPRI GOLD and also to unfavourable weather conditions in the 2000 winter and spring. ZESPRI encountered problems in the 2000 marketing season, with handling, rotting and pitting problems in the new ZESPRI GOLD variety, fumigation problems with the ORGANIC variety, and size difficulties with the GREEN variety. These problems caused major decreases in grower returns compared to the 1999 season.

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
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## **SECTION I. SITUATION AND OUTLOOK**

The total kiwifruit harvest for 2001 is estimated to be approximately 63 million trays (1 tray = 3.6kg) or 225,806 MT. The crop will be harvested in May 2001, so this forecast will be subject to change. The forecast 2001 kiwifruit crop is 8 percent smaller than the 2000 crop. This is due to continued grafting of mature ZESPRI GREEN vines to the ZESPRI GOLD variety, also to poor winter chilling during winter 2000 and frost damage in spring 2000. Kiwifruit exports for 2001 are forecast to be approximately 58 million trays or 210,000 MT.

Total New Zealand kiwifruit production in the 2000 season has been recorded at 68 million trays (1 tray = 3.6kg) or 244,800 MT. This was considerably up on the 1999 production of 58.3 million trays or 210,000 MT due to extremely favourable growing conditions over the 1999/00 summer period. 2000 kiwifruit export production was recorded at 63.42 million trays or 228,312 MT.

The large volumes of ORGANIC and GOLD ZESPRI fruit have made selling conditions difficult for ZESPRI International in the 2000 season. ZESPRI GOLD was introduced on international markets for the first time in 2000, and ran into teething problems that will affect grower returns for this product. GOLD is a softer fruit than the green and requires similar handling to peaches and nectarines. ZESPRI has identified other problems such as rotting and pitting, and some immature fruit were reportedly exported. The ORGANIC kiwifruit also provided a few problems in the 2000 season. Organic production had increased threefold in 2000 from the previous year and the size profiles of the export fruit were smaller than average. The traditional variety of kiwifruit, ZESPRI GREEN, proved to be the backbone of the global business, with exceptionally strong sales in the later part of the season. The GREEN variety fetched higher prices on international markets than its rivals, helped partly by the easy familiarity that the market has with the GREEN variety.

Grower returns for all kiwifruit exported in the 2000 season were considerably lower than returns in the 1999 season due to the above problems.

## SECTION II. STATISTICAL TABLES

### Kiwifruit PSD Table

PSD Table						
Country	New Zealand					
Commodity	Kiwifruit				(HA)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		04/1999		04/2000		04/2001
Bearing Area	0	10500	0	10500	0	10500
Non-Bearing Area	0	250	0	250	0	250
TOTAL Area Planted	0	10750	0	10750	0	10750
TOTAL Area Harvested	0	10500	0	10500	0	10500
TOTAL Production	0	210000	0	244800	0	225806
Imports	0	400	0	150	0	150
TOTAL SUPPLY	0	210400	0	244950	0	225956
Exports	0	196393	0	228312	0	210000
Domestic Consumption	0	14007	0	16638	0	15956
TOTAL DISTRIBUTION	0	210400	0	244950	0	225956

**New Zealand Kiwifruit Exports**

NEW ZEALAND KIWIFRUIT EXPORTS				
Calendar years, tons				
	<b>1998</b>	<b>1999</b>	<b>2000 YTD*</b>	<b>1999 YTD*</b>
Destination	<b>Cal Year</b>	<b>Cal Year</b>	<b>Cal Year</b>	<b>Comparison</b>
Other EU	93,904	74,397	79,735	74,397
Japan	37,488	35,955	29,545	27,370
Australia	13,570	8,006	9,058	5,756
United States	11,105	13,055	16,551	13,055
Taiwan	10,323	6,929	5,635	5,001
Spain	10,257	20,902	28,599	20,902
Italy	10,111	10,097	7,812	10,097
United Kingdom	6,542	8,032	17,892	7,034
Germany	3,742	3,052	633	3,052
Argentina	4,403	2,871	852	2,871
Belgium	3,229	433	101	433
Korea	2,881	3,465	4,091	3,041
China	2,201	2,042	1,355	1,960
Canada	2,127	0	91	0
Hong Kong	1,877	1,398	1,259	1,258
Saudi Arabia	1,661	1,155	897	1,155
Mexico	1,305	505	862	505
Other	6,614	4,100	3,493	4,034
TOTAL	223,339	196,393	208,461	181,920

Source: Statistics New Zealand

\*YTD - Jan-September quarters

**New Zealand Kiwifruit Export Prices**

NEW ZEALAND KIWIFRUIT EXPORTS			
NZ\$/ton			
Destination	1998	1999	2000 YTD*
	Cal Year	Cal Year	Cal Year
E.U.	1,862	2,190	2,147
Japan	2,867	3,327	4,944
Australia	1,086	2,167	1,898
United States	985	1,896	2,207
Taiwan	2,462	3,064	3,489
Spain	1,940	2,084	2,196
Italy	1,929	2,107	2,181
United Kingdom	2,118	2,369	2,180
Germany	1,984	2,533	2,599
Argentina	594	312	946
Belgium	1,913	1,373	3,218
Korea	1,428	1,610	1,827
China	2,052	2,843	3,391
Canada	771	na	1,791
Hong Kong	2,475	1,148	3,303
Saudi Arabia	2,190	2,289	3,130
Mexico	1,032	1,353	2,572
Other	1,659	2,074	2,950
TOTAL	1942	2361	2609

Source: Statistics New Zealand

\*YTD - Jan-September quarters

## New Zealand Kiwifruit Industry Statistics

Industry Statistics			
	<b>1997/98</b>	<b>1998/99</b>	<b>1999/00</b>
<b>CROP VOLUME</b>			
Return per tray (NZ\$)	\$4.56	\$6.50	\$7.62
Trays submitted (000's)	57,259	63,138	54,587
Trays sold	57,260	59,404	51,843
Trays sold (percent)	98	94	96
Fruit loss/not sold (trays)	3,840	3,734	2,344
<b>GENERAL</b>			
Number of growers/suppliers	1,830	1,657	1,614
Ave. no. trays submitted per grower	31289	38,104	33,573
Number of orchards	2,725	2,682	2,843
Planted hectares	10,430	10,015	10,234
Yield per hectare (trays)	5,490	6,305	5,295
Orchard gate return per ha	\$15,110	\$25,753	\$27,898
<b>PACKHOUSES/COOLSTORES</b>			
Number of packhouses	127	118	113
Ave. no. trays packed per packhouse	450,855	510,078	464,907
Number of coolstores	111	106	103
Ave. trays stored per coolstore	515,844	595,644	526,084

Source: ZESPRI International Annual Report 2000

### Exchange Rate

\$US:NZ 1997/98 (0.62), 1998/99 (0.53), 1999/00 (0.43), 2000/01f (0.51)

## SECTION III. SUPPLY, DEMAND, POLICY AND MARKETING

### PRODUCTION

#### *PS&D Changes*

1999 Imports and Exports have been revised to reflect final trade data releases from Statistics New Zealand.

2000 Production has been revised to reflect final kiwifruit harvest and trade.

#### *2001 Kiwifruit Harvest*

The total kiwifruit harvest for 2001 is estimated to be approximately 63 million trays (1 tray = 3.6kg) or 225,806 MT. The crop will be harvested in May 2001, so this forecast will be subject to change. The forecast 2001 kiwifruit crop is 8 percent smaller than the 2000 crop. This is due to continued grafting of mature ZESPRI GREEN vines to the ZESPRI GOLD variety, to poor winter chilling during winter 2000, and frost damage in spring 2000. Kiwifruit exports for 2001 are forecast to be approximately 58 million trays or 210,000 MT.

#### *2000 Kiwifruit Harvest*

Total New Zealand kiwifruit production in the 2000 season has been recorded at 68 million trays (1 tray = 3.6kg) or 244,800 MT. This was considerably up on the 1999 production of 58.3 million trays or 210,000 MT due to extremely favourable growing conditions over the 1999/00 summer period. 2000 kiwifruit export production was recorded at 63.42 million trays or 228,312 MT.

The 2000 export harvest contained 5 million trays or approximately 18,000 MT of the new ZESPRI variety Hort16A or ZESPRI GOLD. This was up from a harvest of only 300,000 trays or 1,080 MT of ZESPRI GOLD in 1999. The 2000 season was the debut of ZESPRI GOLD in international markets. Also in the 2000 season, 3.23 million trays or 11,600 MT of the export crop was the ZESPRI ORGANIC kiwifruit and the majority of the crop (55 million trays or 198,600 MT) was ZESPRI's traditional fruit, ZESPRI GREEN.

#### *2000 Kiwifruit Marketing Season and Returns*

The large volumes of ORGANIC and GOLD ZESPRI fruit made selling conditions difficult for ZESPRI International in the 2000 season. ZESPRI GOLD was introduced on international markets for the first time in 2000, and ran into teething problems that will affect grower returns for this product. The GOLD fruit has been reported by ZESPRI as being a more difficult product as it has a shorter selling season than the traditional GREEN. The variety ran into difficulties later in the season, especially in southern Europe. High levels of fruit loss forced ZESPRI to repack big quantities of fruit. GOLD is a softer fruit than the green and requires similar handling to peaches and nectarines. ZESPRI has identified other problems such as rotting and pitting, and some immature fruit were reportedly exported. The industry is working with New Zealand's Horticulture Research Institute to ensure there is not a repeat of these problems next year. The forecast average return per tray for the 2000 season for ZESPRI GOLD fruit is NZ\$8.60. This is a 66 percent decrease from the NZ\$14.28 growers received in the 1999 season.

The ORGANIC kiwifruit also provided a few problems in the 2000 season. Organic production had increased threefold in 2000 from the previous year and the size profiles of the export fruit



were smaller than average. Organic sales to the big Japanese market also received a setback because of fumigation problems. The forecast average return per tray for ORGANIC fruit in 2000 is NZ\$6.70. This is a 42 percent decrease from the NZ\$9.52 received in the 1999 season.

The traditional variety of kiwifruit, ZESPRI GREEN, proved to be the backbone of the global business, with exceptionally strong sales in the later part of the season. The GREEN variety fetched higher prices on international markets than its rivals, helped partly by the easy familiarity that markets have with the GREEN variety. The forecast average return per tray for GREEN fruit is NZ\$6.68. This is a 13 percent decrease from the NZ\$7.55 received in the 1999 season, due largely to the bigger quantities of fruit, much of which was in harder-to-sell smaller sizes.

<b>2000 SEASON FORECAST RETURN ANALYSIS</b>				
	Net Volume	NZ \$/3.6	NZ \$/3.6	
Description	(trays mils)	kg tray	kg tray (1999)	Return (\$m)
ZESPRI GREEN	53.1	6.68	7.55	354.90
ZESPRI GREEN Organic	3.01	6.70	9.52	20.20
ZESPRI GOLD	4.76	8.60	14.28	40.90
K1W1 GREEN	2.01	5.22	5.95	11.00
K1W1 GREEN Organic Class 2	0.11	5.88	7.01	0.70
K1W1 GOLD Class 2	0.33	5.29	9.55	1.80
K1W1 GOLD Class 3	0.1	4.13	n/a	0.40
<b>TOTAL ALL POOLS</b>	<b>63.42</b>	<b>6.77</b>	<b>7.58</b>	<b>429.90</b>
Source: New Zealand Kiwiflier				

## **POLICY**

### ***Domestic Policy***

As of April 1, 2000 the commercial assets of the New Zealand Kiwifruit Marketing Board were corporatized into a company, ZESPRI Group Ltd. The restructuring plan proposed that shares in ZESPRI Group Ltd be issued to kiwifruit producers and that they could be tradable among producers. (See NZ0003 for further details of the restructuring).

The ZESPRI board had proposed to raise additional capital by means of a share issue to shareholders, increasing its present equity of NZ\$4 million (US\$1.72 million) to NZ\$15 million (US\$6.45 million) in the 2000/01 financial year. The board's proposal was to achieve this by means of a NZ\$6 million (US\$2.58 million) share offer, a separate NZ\$1 million (US\$430,000) share issue to growers who have expanded their orchards and by retaining about NZ\$4 million (US\$1.72 million) of grower earnings. The board aimed to lift equity to NZ\$40 million (US\$17.2 million) by the end of the 2003/04 financial year.

This policy was approved by the New Zealand Government and was given a 90 percent vote of support from New Zealand kiwifruit growers at the end of 1999. However, kiwifruit growers are now concerned that the issuing of shares as proposed by the ZESPRI board may lead the kiwifruit industry in the same direction as the New Zealand apple and pear industry. The New Zealand Apple and Pear Board was also corporatized into a company in April 2000, to become ENZA Ltd. The issue of shares to growers resulted in two large corporate interests instigating a share raid of small growers and purchased an approximate 18 percent shareholding in ENZA. These two corporate interests have formed partnership and now effectively control the ENZA Board (see NZ0068 for more details on ENZA).

Kiwifruit growers have raised concerns on the share issue involving two issues. Firstly, if all the shares were not taken up in the initial offering the "overhang" of unsold shares could be offered again for any shareholder to take up. This would give one shareholder or a group of shareholders the opportunity to amass a considerable volume of shares and possibly gain control of ZESPRI. Secondly, as in the ENZA situation, if the industry went into decline shareholders could sell their shares to any person classed as a grower, enabling control of ZESPRI to fall into corporate hands.

Due to both ZESPRI Board and grower concerns that ZESPRI could be subject to an ENZA-style takeover, a special general meeting was held at the end of November to debate the method that the ZESPRI board would use to raise capital. The ZESPRI Board has been committed to finding a mechanism that will assure of not just grower ownership but grower control of the business into the future, while at the same time building ZESPRI's capital base appropriately.

The special general meeting held in November was a chance for shareholder growers to vote in favour of constitutional changes to ensure that the growers retain ownership and control of ZESPRI. The ZESPRI board proposed the introduction of a production weighted voting to create a co-operative style control mechanism within a commercial governance and operating structure. This constitutional change was endorsed by growers with a 94 percent vote in favour of linking voting shareholding to production history. Both growers and the ZESPRI board are reportedly pleased with the result and the industry is in the process of working through the issues of the constitutional change with the Government.

## MARKETING

### *12 Month Marketing*

The strategy to take the ZESPRI business from a seasonal marketer of New Zealand kiwifruit to a 12-month procurer and marketer of world-sourced products is well under way. A ten year strategic production and marketing plan is being rolled out in phases, a management structure is in place and Hort 16A (ZESPRI GOLD) plants are in the ground in Italy and California.

Managing the global commercialisation of ZESPRI GOLD Kiwifruit is a major part of the strategy, especially protecting this exclusive new product and balancing its supply and demand to maintain premium pricing. Part of the strategy is therefore to prudently manage the licensing of ZESPRI GOLD, and growers both in New Zealand and globally have been reminded not to plant or graft unless they have a license to do so from ZESPRI.

To date, 1,100 hectares of ZESPRI GOLD have been planted in New Zealand, projected to increase to over 1,500 hectares by the end of the southern hemisphere winter and continuing to grow at a good pace. Offshore, 60 hectares have been planted in total in Italy and California, rising to 500 hectares by the end of the northern hemisphere winter with planned increases every year. The first non-New Zealand origin GOLD kiwifruit will be available for sale next season with greater volumes intended to go to market each year.

ZESPRI's aim is to extend the integrated ZESPRI production and marketing system not just for GOLD but also for GREEN kiwifruit so that retail relationships can be built as a year-round business partner. ZESPRI Group Ltd have a global product services team who have day to day responsibility for production and marketing of GREEN and GOLD kiwifruit. They co-ordinate production and logistics, identify growth opportunities for products, manage the protection of GOLD and business risks and facilitate the global planting programme to ensure 12 month supply is achieved. ZESPRI will work with their offshore partners and their licensed growers to ensure they have the best opportunity to produce fruit to ZESPRI's standards.